UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

BUDIMIR DAMNJANOVIC, and
DESANKA DAMNJANOVIC,

Plaintiffs,

vs.

Civil No. 4:14-cv-11920
Hon.. Linda V. Parker
Mag. Judge Mona K. Majzoub

UNITED STATES DEPARTMENT OF THE AIR FORCE,
SECRETARY DEBORAH LEE JAMES, in her official capacity as Secretary of the Air Force,
UNITED STATES DEPARTMENT OF DEFENSE,
SECRETARY CHARLES T. HAGEL, in his official capacity as Secretary of the U.S. Department of Defense, and
UNITED STATES OF AMERICA.
jointly and severally,

Defendants.

EPIC Law PLLC Hattem A. Beydoun (P66071) Office: Ste 606, 400 Monroe, Detroit MI 48226 Mail: Po Box 32598, Detroit MI 48232 Tel: (888) 715-8033 Fax: (313) 254-4923 Email: hbeydoun@epiclg.com Attorney for Plaintiffs	STUART F. DELERY, Esq. JOHN FARGO, Esq. CRAIG A. NEWELL, JR., Esq. Attorneys for Defendants Department of Justice Washington, DC 20530 Telephone: (202) 616-8116 Email: Craig.Newell@usdoj.gov BARBARA L. McQUADE THERESA M. URBANIC Local Counsel For Defendants United States Attorney Office 211 W. Fort Street Suite 2001 Detroit, MI 48226-3211

PLAINTIFFS' RESPONSE TO DEFENDANTS' MOTION TO DISMISS

Plaintiffs Budimir Damnjanovic and Desanka Damnjanovic (hereinafter "Plaintiffs") respond in opposition to Defendants', the United States of America, the U.S. Department of the Air Force, Secretary of the Air Force Deborah Lee James, the U.S. Department of Defense, and Secretary of Defense Charles T. Hagel (hereinafter "Defendants") motion to dismiss for the reasons set forth in the accompanying brief in support.

Respectfully Submitted,

Date: October 6, 2014

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BRIEF IN SUPPORT

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STATEMENT OF ISSUES

1. Whether Plaintiffs have stated a claim for compensation under the Invention Secrecy Act of 1951, 35 U.S.C. §§ 181-188, by alleging actual use of their invention by the U.S. Government and are not required to provide a sum certain as to the specific amount of damages resulting from the secrecy order imposed on their patent application?

2. Whether the Court has subject matter jurisdiction over Plaintiffs' claim of unjust enrichment?

3. Whether Plaintiffs have stated a claim under the Taking Clause of the Fifth Amendment where the Government prevented a patent from issuing and prohibited Plaintiffs from disclosing/marketing their invention thereby taking the right to exclusivity conveyed by a patent and right to market/sell their invention under the First Amendment?

4. Whether Defendants can escape liability under Plaintiffs' free speech claim by rescission of the Secrecy Order even though Defendants were harmed prior to the rescission and the Invention Secrecy Act has not been repealed?

5. Whether Plaintiffs have stated a claim for declarative relief under the Administrative Procedure Act ("APA") because Defendants are legally required to promulgate rules and regulations under 35 U.S.C. § 183, for the administration of just compensation claims under the Invention Secrecy Act?

I. INTRODUCTION

Plaintiffs, husband and wife Budimir and Desanka Damnjanovic, are U.S. citizens residing in Wayne County, Michigan. Budimir and Desanka are recent retirees of the Detroit Water Department and have never been employees or contractors of the Defendants. Together with their own resources and without outside assistants, Plaintiffs conceived of a useful, novel, and unobvious invention in which they decided to seek patent protection (the subject matter of Patent Application No. 11/881,492- the '492 Application). Though not necessary, Plaintiffs thought it would be best to take measures to protect and exclude others from later using their invention by filing for a U.S. patent application, a right guaranteed by the U.S. Constitution (See Article I, Section 8, Clause 8). Contrary to their desires to obtain a patent; the Defendants interfered with Plaintiffs' wishes by obstructing their ability to obtain a patent through issuance of a secrecy order under 35 U.S.C. § 181. The Defendants not only inhibited Plaintiffs' ability to obtain a patent, but also subjected Plaintiffs with civil and criminal liability if they discussed their own idea to any third parties including possible licensees and/or purchasers of Plaintiffs' invention. The Defendants even went as far as to send Special Agents from the Federal Bureau of Investigations to Plaintiffs' home to make sure that they understood the rules and the consequences set forth in the Secrecy Order.

After issuance of the Secrecy Order, Defendants subjected Plaintiffs to a five year spurious process for submitting and administrative claim to determine just compensation arising from issuance of the Secrecy Order. After keeping the Plaintiffs in waiting for a majority of the five year period (during which time Plaintiffs' health declined), the Defendants offered Plaintiffs' Zero dollars in compensation. Defendants based their offer of Zero dollars on the belief that it would be impossible for Plaintiffs to prove any damages because Plaintiffs were prohibited from discussing with third parties the subject matter of their invention under the non-disclosure clause of the Secrecy Order.

Defendants' appropriation of Plaintiffs' ideas, creations, and invention without any compensation and/or due process clearly is a violation of the Fifth Amendment. Defendants have also prevented Plaintiffs' from receiving a patent contrary to their Constitutional right. Moreover, the Defendants violated Plaintiffs' First Amendment right by prohibiting Plaintiffs from even discussing the subject matter of their invention with third parties. It is important to keep in mind that Plaintiffs are civilian citizens, with no contractual or employment obligations to the Defendants. This is not a case where a government employee or military personnel is entrusted with Government secrets, rather one where the Government is appropriating and controlling the dissemination of thoughts and ideas of a private civilian and punishing them for expressing or disclosing those thoughts in clear violation of the First and Fifth Amendments.

In a completely futile attempt to avoid liability, after the filing of the Complaint, Defendants withdrew the Secrecy Order and wish to now argue that this case is moot. Withdrawal of the Secrecy Order does not make the case moot as Plaintiffs were harmed during the period the Secrecy Order was in place and removing that order does not remedy the harmed suffered during that period nor is it a repeal of the law that put the Secrecy Order in place. Likewise, a burglar who later decides to return stolen property is not exonerated for the wrong committed.

II. LEGAL STANDARD

Federal Rule of Civil Procedure 12(b)(1) allows dismissal for "lack of jurisdiction" over the subject matter of claims asserted in the Complaint. Fed.R.Civ.P. 12(b)(1). Generally, Fed.R.Civ.P. 12(b)(1) motions fall into two categories: facial attacks and factual attacks. Fed.R.Civ.P. 12(b)(1); *United States v. Richie*, 15 F.3d 592, 598 (6th Cir.1994). A facial attack challenges the sufficiency of the pleading itself. In contrast, a factual attack challenges the factual existence of subject matter jurisdiction. *Ohio Hosp. Ass'n v. Shalala*, 978 F.Supp. 735, 739 (N.D.Ohio.1997). In this case Defendants attack jurisdiction on its face, therefore, all allegations in the complaint must be considered as true. *DLX, Inc. v. Kentucky*, 381 F.3d 511, 516 (6th Cir.2004).

An action may be dismissed if the complaint fails to state a claim upon which relief can be granted. Fed.R.Civ.P. 12(b)(6). The moving party has the burden of proving that no claim exists. Although a complaint is to be liberally construed, it is still necessary that the complaint contain more than bare assertions or legal conclusions. *In re DeLorean Motor Co.*, 991 F.2d 1236, 1240 (6th Cir. 1993) (citing *Scheid v. Fanny Farmer Candy Shops, Inc.*, 859 F.2d 434, 436 (6th Cir. 1988)). All factual allegations in the complaint must be presumed to be true, and reasonable inferences must be made in favor of the non-moving party. *Great Lakes Steel v. Deggendorf*, 716 F.2d 1101, 1105 (6th Cir. 1983). To survive a motion to dismiss, the complaint must present "enough facts to state a claim to relief that is plausible on its face." *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 127 S. Ct. 1955, 1974 (2007).

III. ARGUMENT

1. Count I For Compensation Under 35 U.S.C. § 183 States A Claim For Which Relief Can Be Granted.

Plaintiffs base their requests for compensation upon two premises. First, Plaintiffs allege they have suffered damages from issuance of the Secrecy Order. (Complaint DE1 at ¶¶3, 28, 34, 35, 37, 43). These damages include the Secrecy Order inhibiting their ability to sell or offer for sale the Invention, to market the Invention to the public and third parties, profits lost as a result of interference with business opportunities, and the loss of foreign filing rights. *Id.* These are not speculative damages but real world, foreseeable, and definite damages that Defendants would reasonably expect to occur. What Defendants are really asking here is that Plaintiffs assign a sum certain to their damages in the Complaint. They are not required to do so in the Complaint. In *Constant v. United States*, 223 Ct.Cl. 148, 617 F.2d 239, 244 (1980), the United States attempted to initially dismiss a compensation claim arising from the issuance of a secrecy order based upon the same arguments that the Defendants are now presenting regarding "non-speculative damages." The *Constant* Court denied the United States attempts to dismiss the matter. *Constant*, 617 F.2d at 244.

The Defendants also argue that Plaintiffs had the additional burden of showing that foreign countries would be interested in their invention in the first place (DE16 Motion at pp. 18 of 32); however, Defendants ignore the fact that the Plaintiffs are prohibited from such disclosure by the Secrecy Order itself. Moreover, damages arising from issuance of the secrecy order can include harm to Plaintiffs' ability to commercially exploit the invention. *McDonnell Douglas Corp. v. U. S.* 229 Ct.Cl. 323, 670 F.2d 156, 164 (Ct.Cl. 1982) "Plaintiff is free, on remand, to assert a § 183 claim based on damage to plaintiff's ability to exploit commercially the '883 patent").

Plaintiffs also seek compensation for Defendants' use of the invention to obtain a secrecy order which was then used to prevent the invention from disseminating to third parties. 35 U.S.C. § 183 does not define or limit the scope or nature of the term "use" to only mechanical uses of the invention. Plaintiffs will show that the Defendants' primary use of the invention was to obtain a secrecy order for purposes of preventing third parties from obtaining the invention.

Next, Defendants refer to the Secrecy Order itself stating that it is not indicative of use by the Defendants. (Motion DE16 at pg. 14 of 32). Defendants drafted and issued the Secrecy Order to include this self-serving statement; therefore, it has no legal probative value. Moreover, Defendants refer to *Weiss v. U.S.*, 146 F.Supp.2d 113, 127 (D.Mass. 2001) as holding that a secrecy order does not imply that the Government has used the underlying invention. This is not the finding in *Weiss*, rather the *Weiss* court stated "A secrecy order standing alone, whether characterized as an exclusive option or not, does not give rise to damages. Something more must be shown." *Weiss* at 127. In other words, though the Secrecy Order may amount to a use, the Plaintiffs still need to show the value of that use which Plaintiffs fully intend to do. Plaintiffs can and will show, based on the subject matter of the invention and the current state of the Air Force, the value of the use gained by the Defendants of the invention by keeping it secret.

Furthermore, the Defendants argue that instead of "planning to market" the invention, the Plaintiffs' should have been actually marketing or selling their invention earlier on to third parties. (DE16 Motion at pg. 19 of 32). Defendants do not realize that this type of an early offer for sale of the invention would function as an on sale bar to the patentability of invention. (35 U.S.C. § 102(a)(1) "Novelty; Prior Art.— A person shall be entitled to a patent unless—(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention..."). Simply stated, if Plaintiffs marketed the invention prior to the filing of the '492 Application, their marketing activity would bar Plaintiffs' ability to obtain a patent. Moreover, if this type of early marketing activity were permissible, it would serve to render the Secrecy Order useless as the invention would already have been in the hands of third parties.

2. Count II For Unjust Enrichment Should Not Be Dismissed Because This Court Has Jurisdiction

Contrary to Defendants' arguments, unjust enrichment is indeed a tort that falls within the Federal Tort Claims Act. See *Foster v. Pitney Bowes Corp.*, 549 Fed.Appx. 982, 985 (C.A.Fed. 2013) "[*Inventor*] also alleged various tortious acts committed by [*United States*], including … unjust enrichment …."

The three cases cited by Defendants in support of their position that "[a] claim of unjust enrichment under Michigan state law, however, is not a tort action" do not support, make or imply this position. *See Ajuba Int'l,LLC v. Sharia*, No. 11-12936, 2014 WL 3420524, *10 (E.D. Mich. July 14, 2014); *Sweet Air Inv., Inc. v. Kenney*, 739 N.W.2d 656, 663 (Mich. Ct. App. 2007); *Belle Isle Grill Corp. v. City of Detroit*, 666 N.W. 2d 271, 280 (Mich. Ct. App. 2003). These cases simply state that an expressed contract will prohibit a claim of unjust enrichment. *Id.*

Defendants further argue that Plaintiffs failed to timely seek compensation directly from the Air Force regarding the same facts that gave rise to their present claim of unjust enrichment. This is not true as Plaintiffs did file a claim directly with the Air Force in June/July 2012, less than a year after their claims arose when the Patent Office issued a Notice of Allowance on November 21, 2011. Defendants' benefit arising from the Secrecy Order did not become a determinant to the Plaintiffs until the Notice of Allowance issued as Plaintiffs right to exclude others would have not materialized until that time but not for the Secrecy Order. Plaintiffs then filed this action within six months of the Air Force's denial of their administrative claim.

3. Count III States A Claim For Relief Under The Fifth Amendment

Defendants misunderstand Plaintiffs claim under the Fifth Amendment. Plaintiffs are not making separate claims for compensation under 35 U.S.C. § 183 and the Fifth Amendment, rather, Plaintiffs are making a claim in the alternative that 35 U.S.C. § 183 is unconstitutional as the statute violates the Fifth Amendment.

The Invention Secrecy Act, though it claims, does not provide a method of just compensation for imposition of the Secrecy Order and/or the Government's use of the Invention. The Invention Secrecy Act prohibits Plaintiffs from establishing damages and/or actual damages arising from the imposition of the Secrecy Order (a putative requirement under the Invention Secrecy Act) by prohibiting Plaintiffs from marketing, offering for sale, or otherwise disclosing the invention to third parties including possible customers, and/or taking advantage of foreign patent rights. In fact, the Defendants even state this barrier to establishing damages in their motion to dismiss: "While the strictures of the secrecy order may make it difficult to obtain evidence of damages caused by the secrecy order, any such difficulty in no way lessens the fact that the burden of proving damages falls squarely on the Damnjanovics, and that their burden mandates proof of actual, non-speculative damages." (Motion DE16 at pg 20 of 32). Therefore, the Invention Secrecy Act does not provide a means for Plaintiffs to recover or establish just compensation and/or actual damages arising from the imposition of the Secrecy Order and/or the Government's use of the Invention.

Defendants reference *Constant v. U.S.*, 16 Cl.Ct. 629, (Cl.Ct. 1989) in support of their position that imposition of the secrecy order itself does not constitute a taking under the Fifth Amendment. Defendants neglect to include the prior sentence in *Constant* that defines that circumstance where this would apply: "In its brief, plaintiff states he 'does not claim compensation for damages caused by the order of secrecy.' Under such circumstances, there can be no Fifth Amendment taking merely because of the issuance of the secrecy order." *Constant*, 16 Cl. Ct. at 632. Plaintiffs here have made a claim for compensation for damages; therefore, the imposition of the Secrecy Order is a taking subject to the Fifth Amendment. Furthermore, Defendants argue that the only property right that has been taken by the Defendants is the Patent right. This is untrue because the Defendants withheld Plaintiffs' First Amendment right to market/sell their invention.

4. Count III States A Claim For Relief Under The First Amendment

Defendants argue that since the Secrecy Order has been rescinded Plaintiffs can no longer challenge the Constitutionality of the Secrecy Order. Plaintiffs are not challenging the Constitutionality of the Secrecy Order; rather, Plaintiffs are challenging the Constitutionality of the Invention Secrecy Act. The Invention Secrecy Act is an active federal statute that has caused damages to Plaintiffs under the First Amendment. Defendants cite *Brandywine, Inc. v. City of Richmond*, 359

F.3d 830, 836 (6th Cir. 2004) in support of their position that a Court cannot "declare unconstitutional . . . a provision that is no longer in effect." The Defendants confuse a recession of law with the enforcement of a single instance of the law in question. Specifically, in *Bradywinr*, the provision that was no longer in effect was a city ordinance, not a particular enforcement of the city ordinance. Here, Plaintiffs are not arguing that the Secrecy Order is unconstitutional; rather, that the law authorizing the Government to issue a secrecy order is unconstitutional. Defendants argue because the Plaintiffs are free to now discuss their invention, they can no longer seek to invalidate the Secrecy Order as unconstitutional. Defendants mistake that Secrecy Order as the law, when it is 35 USC §§ 181-188 that Plaintiffs seek to declare unconstitutional.

5. Count IV Is Valid Because Defendants Are Required To Promulgate Rules Under 35 U.S.C. § 183.

The Defendants are required to provide a means to allow patent applicants, like Plaintiffs, whose invention is subject to a secrecy order, the ability to apply to the head of Defendants for compensation for the damage caused by the order of secrecy and/or for the use of the invention by the Defendants under 35 U.S.C. § 183. Compliance with 35 U.S.C. § 183 is not an option but is a mandatory requirement; therefore, Defendants need to enact rules and procedures to allow them to be in compliance with the law. However, pursuant to 35 U.S.C. § 188, various administrative departments of the Federal Government are authorized to enact separate rules and regulation to enable them to carry out the provisions of 35 U.S.C. § 183. This only gives the departments an option to create separate rules and regulations; it does not excuse the Government as a whole from not enacting rules and regulations.

IV. CONCLUSION

Defendants have made a futile attempt to dismiss this action through several erroneous arguments that misrepresent the facts and the law. Defendants erroneously argue that this Court does not have subject matter jurisdiction over an unjust enrichment claim as it is not a tort under the Federal Tort Claims Act. The Court of Appeals for the Federal Circuit has stated unjust enrichment is a tort and considered cases under the FTCA for unjust enrichment claims. Moreover, Plaintiffs have attempted to avoid liability by arguing that since the Secrecy Order has been withdrawn, Plaintiffs can no longer make a claim that the "provision" is unconstitutional. However, the Defendants mistake the Secrecy Order as the "provision" when the "provision" referenced in Plaintiffs' Complaint is the Invention Secrecy Act which has not been rescinded. Defendants further argue that this matter should be dismissed as Plaintiffs seek speculative damages though Plaintiffs have clearly identified the grounds of their damage claims. Defendants also argue that Plaintiffs cannot seek compensation under the Fifth Amendment because their compensation claim is preempted by the Invention Secrecy Act;

however, Plaintiffs are not seeking compensation for damages under the Fifth Amendment, they are seeking to declare the Invention Secrecy Act unconstitutional as it violates the Fifth Amendment taking clause. Finally, Plaintiffs are entitled to declarative relief under the Administrative Procedure Act as the Defendants are required to provide just compensation to Plaintiffs and they have not enacted separately or collectively, rules and regulations to allow for this relief. Therefore, Plaintiffs request that this Honorable Court deny Defendants' Motion to Dismiss.

Respectfully Submitted,

Date: October 6, 2014

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CERTIFICATION OF SERVICE

I hereby certify that on October 6, 2014, I electronically filed the foregoing paper with the Clerk of the Court using the CM/ECF system. I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

Date October 6, 2014

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